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To: [TaxCreditQuestions](#)
Cc: [Caleigh Miller](#); [Bailey Coats](#); [Jack Dillard](#)
Subject: [External] Comments on SC QAP
Date: Friday, August 26, 2022 3:48:46 PM

Below are a list of comments in regards to the draft 2023 QAP for consideration.

Thank you,

- III Threshold Participation Criteria
 - Section D. Wetlands, Environmental, and Soil Report:
 - Please remove the requirement for a geotechnical report.
 - ***We agree with the Authority requiring an environmental phase I report as part of due diligence for the application. We do, however, ask that the Authority reconsider the requirement for a Geotech report. All but the absolute worst soil conditions can be addressed with cut and fill and/or foundation design and requiring a Geotech report that the application stage is premature and another expense for the developer that may not be needed at this stage.***
 - Section G. Required Development Experience –
 - The development experience requirement changes, together with the removal of the Junior Developer provision, is a significant hit to developers who have comparable experience with other similar projects that do not have LIHTCs, such as Section 8 properties. Additionally, this prohibits any new developers from being able to gain experience in the state of South Carolina. We would like to propose a few options:
 - Revert the requirement back to either two (2) LIHTC projects in South Carolina, or four (4) LIHTC projects in other states, well as add back the Junior Developer provision. Or,
 - Keep adjustments as-is, add back the Junior Developer provision. Or,
 - Revert requirement back and remove Junior Developer provision.

Due to delays caused by COVID-19 which ultimately affected supply chains, as well as material cost increases, projects in the last few years have been delayed getting started. This delay also affects the delivery of the project which ultimately delays the 8609 issuances for those projects. For a developer who may have used the Junior Developer provision, or previously qualified under the old requirements, the developer may now have the experience, but may not have 8609s at the time of application.
 - Section P. Financial Underwriting -
 - Section P.10.c Permanent Financing -
 - ***Please consider not including loans from local governments or their***

affiliated entities which qualify for points from this calculation in the deferred fee limitation. This has been an issue in previous years.

- Section P.15 Rent Allowances for Project Based Rental Developments -
 - ***The change to requiring both a letter from HUD or RD approving a rent increase and a market study will significantly slow down the time it takes to complete these projects. Because of the time it takes HUD to complete their review of rent increases, it is important for SC Housing and HUD reviews to be on parallel tracks. Further, for a Chapter 1B Mark Up to Market application, HUD requires community support which is already demonstrated through and allocation of LIHTCs.***

Appendix C1 – 9% LIHTCs

- I. Application and Award Limitations –
 - Section B. Award Limitations -
 - Add back Junior Developer provision to allow for experience to be gained.
 - Add back two awards per county – one for senior and one for family.
 - ***Only awarding one project per county could deny a county much needed senior housing. Geographic distribution can be incentivized based on recent awards in previous years and/or data on underserved areas, but even within a county there may be more than one area that needs housing and has not received a recent award. Greenville County comes to mind as an example.***
- IV. New Construction Scoring Criteria -
 - Section A. Distance to Amenities -
 - Grocery - Please remove reference to “must be part of a chain” for full service grocery.
 - ***Many neighborhoods, especially in rural areas, have independently owned grocery stores that meet all the requirements outline in the QAP, but they are not a chain.***
 - Pharmacies – remove reference to “does not include specialty pharmacies or drug services”.
 - ***Again, just as grocery store chains, many neighborhoods have locally owned pharmacies that meet all the requirements outlined in the QAP but would be considered a specialty pharmacy.***
 - Shopping - In the definition of “Shopping,” please consider adding a square foot definition/minimum for both big box stores and shopping malls, as this is open to interpretation.
 - ***This would be more helpful than a square foot minimum for grocery stores.***
 - Senior Center - Please add clarification on Senior Center and what qualifies.
- Section D. Affordable Housing Shortage -

- *Please consider re-inserting the Affordable Housing Shortage points. This is the greatest measure of need and a much better way to distribute projects geographically than a single award per county. We also suggest keeping the points for counties with no awards within the past X years.*
- Section E. Other Types of Tax Credits -
 - *Should there be a minimum amount of funding here? As written, a \$1.00 tax credit would be eligible for 5 points but would not make any material difference to a multimillion-dollar project.*
 - *Would other non-credit sources not be equally valuable here? Low interest loans and other non-credit grants would have the same effect without any burden to a project.*
- Section G. Leveraging -
 - Please consider reverting the 1 point to range of \$1 and \$1,999.
 - *In many rural areas, the county may not have as many funds to provide as a major metropolitan area. The scoring beginning at \$1 allows for a project to gain at least one point which could be the difference between a project being funded or not.*
- Section H. Revitalization or Local Policies -
 - *South Carolina would benefit from pushing more localities to enact these revitalization plans and policies. These points can often make or break a deal, and it does not seem like many MSAs, and especially rural communities, realize the value these plans carry with regards to potential economic development in the area, including affordable housing.*

Appendix C2 – Tax-Exempt Bonds

- II. Criteria -
 - Section B. Requirements -
 - 5. Size Requirements – remove minimum unit count of 70.
 - *This could box out PHA properties undergoing RAD transactions that may not fit the guidelines for a 9% application.*
 - 8. Developer fee – remove \$3M cap on developer fee for all bond deals or remove the cap for bond deals not utilizing the state credit or remove the cap all together.
 - *Bond transactions have become increasingly difficult due to the increased costs, delayed delivery of materials, and the absence of ample workforce. Bond transactions have become riskier and the timelines have also grown due to these issues. Limiting the developer fee on these transactions is removing any incentive for the developer to propose larger and/or more complex transactions that could serve more folks in the state.*
- III. Ranking –
 - *Please reconsider the as-proposed methodology of ensuring efficient use of resources as described in Section III. As written, the provision for utilizing the fewest state resources per heated residential square foot creates an incentive to build as cheaply as possible. The measures for lowest state resources per bedroom, lowest*

proportion of state resources to total project costs, and lowest state resources per tenant (and possibly other methods) are much better ways to incentivize efficient use of the limited state resources, without a direct incentive to build as cheaply as possible.

Please let me know if you have any questions.

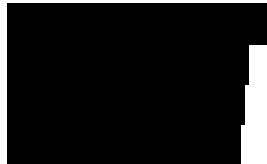
Thanks

Rob

PLEASE NOTE OUR NEW ADDRESS



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